

Advancement

A NEWSLETTER FOR CLIENTS AND FRIENDS

The Wayland Group

Counsel to Non-Profit Organizations:
Fund-raising, Planning, and Leadership Development

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SYNCHRONIZING SUCCESS

Over the past 20 years, The Wayland Group has supported, advised, and helped to plan more than 100 major fundraising campaigns. Most of these campaigns have been “comprehensive” in nature, incorporating institutional objectives relating to endowment, new programs, operating support and—almost without exception—new facilities construction or major renovation. Although these campaigns have varied in emphasis, nearly every campaign has had the benefit—and the challenge—of a major, “marquee” facilities project, and it is often this project that has provided the energy, drive, and “face” of the campaign itself.

In fact, over the years, an increasing number of institutions have sought to build their capacity to deliver program through major expansion or renovation of key facilities. This has been true for a variety of reasons:

- Particularly among mature non-profit organizations, aging physical plants have required significant renovation and/or replacement of facilities.
- Growing demand for service and intense institutional competition have encouraged—some would say forced—institutions to continually upgrade and improve their physical facilities so as to attract and retain “customers,” and in so doing, increase membership, tuition, or other earned revenues.
- Over the past several decades, tax-exempt financing has become available to non-profit organizations, permitting them to explore and utilize the proceeds of tax-exempt bonds as a low cost, readily available financing mechanism.
- New generations of Board leaders experienced in business and comfortable with all of the “moving parts” of a creative business plan have encouraged institutions to be more entrepreneurial and less conservative in expanding institutional assets and meeting market demand through facilities development.
- Alongside institutional leadership, creative and entrepreneurial major donors have put their philanthropic “muscle” behind visionary projects that have the ability to transform institutions.

- The full flowering of institutionalized fundraising and philanthropy has opened a door to major fundraising initiatives for small and medium-sized, as well as well-established, larger non-profit organizations. Philanthropy has become the “third leg” of the financing stool, along with debt and earned revenues.

A key challenge for every institution is planning and scheduling a particular project or projects so as to appropriately align design and construction plans, financing and financial plans, and fundraising plans—in effect, “synchronizing success” so as to insure that an organization is adding strength and capacity, rather than eroding its financial position and/or increasing risk to the institution.*

There are many pressures to avoid the dispassionate analysis required to achieve this kind of synchronization. The availability of tax-exempt financing, the demand for increased program capacity, the pressure of architects’ schedules, the fear of increasing materials and construction costs, and the availability of top prospects for marquee projects all create a great deal of pressure on institutions to move forward as aggressively as possible in new construction or major renovation projects. But there are a number of important reasons to appropriately align all of the elements of a project—fundraising, financing, and construction. They include the following:

- From a fundraising perspective, too much focus on a single marquee building project can actually lower, rather than raise sights, since in such a situation top donors may recalibrate their gift support against an immediate capital goal rather than against the larger comprehensive goals of the campaign. Similarly, while marquee projects may be helpful in creating excitement around a campaign, bringing a new facilities project online too quickly may reduce focus on other critical objectives of the campaign, including endowment building.
- To the extent that fundraising does not cover the full amount of the construction costs or the long-term debt, an institution will be required either to increase annualized fundraising or to cut program expense—effectively reducing the capacity that the new building has been designed to increase and ultimately putting the institution’s reputation at risk.
- From a “campaign” perspective, the greatest sense of urgency is associated with the period before construction begins. The true urgency for philanthropic support of a project is immediately reduced once the project is begun. Even if it is assumed that fundraising can continue while the project is underway, in the event that the timing of major gifts and construction is not fully synchronized, an institution can ultimately find itself fundraising for debt rather than for a new building, a far more difficult task.

So—how can institutions protect themselves from some of these negative consequences, and insure that a new facility will strengthen the organization, rather than weaken it?

*TWG’s thinking in this area has been influenced and informed by the good work done by our colleagues at the Nonprofit Finance Fund, and by our wise friend and colleague Susan Nelson, Principal, at TDC.

- **Ensure not only that a complete, long-range financial analysis has been developed, but also that all of the assumptions of the financial analysis have been conservatively estimated.** Often institutions set expectations for indexing program costs at a level that is artificially low, while rates of return from investments or increases in annualized fundraising are estimated too optimistically, leading to a potential scenario in which any errors in assumptions lead to deficits and—invariably—reduction in program.
- **Create a very specific set of benchmarks, milestones, and decision thresholds as a discipline to the building process.** An ideal scenario would include increased endowment to support the operating cost of the new building, and would require that a very high percentage of total construction and endowment funds be pledged—perhaps 75-80%—prior to beginning construction. (This is often the occasion for a lively debate between conservative voices who wish to manage risk more appropriately and more optimistic voices who will cite increasing construction and materials costs as well as the alleged “opportunity costs” of deferring the start date of a project. In our experience, it is much more likely that an institution will create exposure by going too quickly than that the project will ultimately be at risk by waiting until more of the funds are committed.)
- **In the use of tax-exempt bond financing, be sure that the availability of bond proceeds is coordinated with the pace of fundraising plans and with actual fundraising performance.** Because bond proceeds need to be utilized for a specified purpose within a specified time period, even a responsible institution can be “forced” to initiate a project too soon, if a tax-exempt bond is placed, and the proceeds made available, too soon in the fundraising cycle.
- **Manage the design process carefully.** Institutions and their clients need and deserve high quality facilities. It is true that many facilities which were adequately designed have been sacrificed on the altar of “value engineering.” At the same time, it is equally true that many projects have suffered from what is sometimes called “scope creep.” This is the tendency for projects to “grow” once the design process is underway, or for “nice to haves” to become “must haves” in the flush of enthusiasm often associated with the design process. An independent school client found the costs of a new, fully designed gym facility to be too high. They went “back to the drawing board”—literally and figuratively—to develop a new solution and, ultimately, saved millions of dollars through a “design build” process working with a general contractor, since the building was to be sited in a part of campus which did not have a great deal of visibility and therefore did not require a more expensive architectural treatment.
- **Don’t be afraid to defer a project if the above conditions are not met.** Many important new facilities projects begin to take on a life of their own and develop tremendous institutional energy, enthusiasm, and momentum. It takes a very brave institution to pause and take stock and defer a building project—particularly when either institutional schedules or regional considerations of temperature and weather reduce the “windows” of potential construction. However, senior leadership and Boards of Trustees are presented from time to time with opportunities to make just such a decision. A number of years ago, a Wayland Group client was well underway with its capital

campaign for an important facility which was necessary and appropriate. In fact, the overall campaign was going quite well. However, at the time of year when they were faced with a “go” or “no go” decision, they had not reached their established benchmark for fundraising and felt that a number of donors would increase their gifts only if it was very clear that their commitments were necessary to success. Accordingly, they deferred their construction project for a full year, while continuing the fundraising process. They ultimately met their goal and needed only short-term construction financing for their building.

Responsible institutional stewardship requires investment, growth, and change. Serving clients better and advancing an institution appropriately should always be top priorities. But responsible stewardship also requires a dispassionate analysis of financial realities, and demands that philanthropy be given ample opportunity to be developed in support of a plan and a project or a campaign. Institutions that are attentive to the need to coordinate the interlocking processes described above will, in effect, “synchronize success,” and insure that new facilities will strengthen, rather than erode, institutional assets.

New Projects and Milestones

Since our summer 2007 newsletter, The Wayland Group has begun a number of new and important projects, and a number of our clients have achieved significant milestones.

The Wayland Group was pleased to be invited for a return assignment with the **Harvard Divinity School** (HDS). TWG offered counsel to HDS Dean William Graham and Associate Dean for Administration Julie Bisbee during a period of transition in development leadership at the School. It has been a pleasure working again with Deans Graham and Bisbee and with Interim Director of External Relations Tom Woodward, Director of Development Operations, Events, and Donor Relations Nancy Birne, and the entire HDS development team.

We were delighted to meet with the newly appointed President of **Lasell College**, Michael Alexander, and to be invited to renew our partnership with the College and with Director for Institutional Advancement Ruth Shuman and Senior Assistant to the President Kathy Urner. The College has made extraordinary progress in recent years. Under the leadership of President Alexander, Lasell is not resting on its laurels, but instead looks ahead to a renewed emphasis on philanthropy, building on the College’s recently completed Strategic Plan.

TWG recently reconnected with longtime professional friend Diane Nixa, newly appointed Director of Development of the **New York City Ballet** (NYCB). The NYCB is the largest dance organization in America, with an active repertory of over 150 works, principally choreographed by George Balanchine, Jerome Robbins, and current Ballet Master in Chief Peter Martins. TWG spent a day meeting and working with Diane, General Manager Ken Tabachnick, and the entire NYCB development team. After individual meetings with senior members of the development staff, TWG facilitated a development planning exercise for the current fiscal year.

The Wayland Group is delighted to have been selected in the fall to conduct a Development and Campaign Readiness Assessment for **Roxbury Latin School (RL)**. Founded in 1645, Roxbury Latin is the oldest school in continuous existence in North America. The School serves about 290 boys in grades 7-12 of various backgrounds from all segments of the greater Boston community. One of the few remaining private schools in the country with need-blind admission, RL is able to accept and admit the finest students in the Boston area, regardless of their family's financial circumstances. Following completion of the Development and Campaign Readiness Assessment, TWG will conduct a Planning and Feasibility Study for a potential capital campaign. We are enjoying this special opportunity to get to know Roxbury Latin School and to work with Director of Development Phil Thornton and his team, Headmaster Kerry Brennan, and a group of dedicated volunteers under the leadership of Board Chair Dennis Kanin.

Bravo to **Community Servings** for successfully completing its \$4 million campaign to build a new headquarters in Jamaica Plain. Completing the campaign also allowed Community Servings to earn a \$400,000 challenge grant from The Kresge Foundation which had been awarded in December 2006. Community Servings provides free home-delivered meals throughout eastern Massachusetts to people homebound with acute life-threatening illnesses. The new 13,500-square-foot industrial kitchen facility will allow the organization to increase the number of meals delivered from 1,300 to 2,600 per day.

Dedham Country Day School completed the most ambitious campaign in the School's history in June 2007, having raised over \$7.5 million for endowment and facility expansion. The Campaign had strong volunteer leadership from Campaign Co-Chairs Ed Anderson and Susie Hunter and Parent Committee Co-Chairs Molly Cramer and Chris Perry, as well as strong staff leadership from Director of Development Julie Hagan and Campaign Officer Jody Barron.

Fenway Community Health (FCH) has received a \$1.75 million challenge grant from The Kresge Foundation, as further testament to the extraordinary quality and importance of Fenway's many contributions to the community. As of this writing, construction is well underway on Fenway's new 10-story facility near Fenway Park, which will be a state-of-the-art clinical and research center for FCH's many programs. Congratulations!

August marked the grand opening of the new Craig Thomas Discovery and Visitor Center at Grand Teton National Park. We were pleased to be invited to facilitate the launch of a planning process undertaken by the **Grand Teton National Park Foundation**, in particular with Foundation President (and longtime TWG friend) Leslie Mattson-Emerson, Board Chair Gerry Halpin, Planning Chairs Clay James and Ed Riddell, and Park Superintendent Mary Gibson Scott.

Congratulations to our friends at the **New England Center for Children (NECC)**, a worldwide leader in research, training, and education for children with autism. NECC recently completed its first capital campaign and has opened a new therapeutic aquatic center. The new facility has been named in honor of Campaign Chairman and longtime friend and supporter of the School, Governor Michael S. Dukakis. The campaign raised more than \$5.5 million for

facility enhancements that included not only the pool and locker rooms, but also conference space and preschool classrooms.

In September, **Pine Manor College** kicked-off its \$34 million *Women of Promise* campaign with a gala dinner. President Gloria Nemerowicz and Campaign Chair and longtime trustee and supporter Anne Edwards announced that \$15 million had been raised during the quiet phase of the Campaign in support of program, facilities, and endowment objectives for this unique and important institution, with one of the most diverse student populations in the nation.

Advancement Institute: “The Maximum Gifts Approach” May 5 and 6, 2008

Preparations have been underway for a number months for the 2008 edition of TWG’s biennial Advancement Institute: “The Maximum Gifts Approach.” This intensive, two-day session has been attended over the past 20 years by thousands of senior development professionals, non-profit executives, and trustees and other leaders, and explores in detail the strategic synergy among long-range planning, leadership development, and fundraising effectiveness in encouraging and securing transformational, “maximum,” high impact gifts. The 2008 edition will have many new features based on continuing feedback from participants and promises to be a great session. The Institute will again be held at the Waltham Woods Conference Center on the campus of the Massachusetts Medical Society. Invitations are scheduled to be mailed in early February.

We at The Wayland Group greet the new year with purpose, with optimism, and with a strong continuing commitment to do our very best to support the extraordinary range of institutions which, in turn, do so much to support the very fabric of our society. We wish everyone well for this important and challenging year.

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